

# Responsible Investing

## EFGAM's Policy

2021



**DISCIPLINED BY NATURE. FLEXIBLE BY DESIGN.**

The icons alongside represent our investment process. Through a disciplined provision of investment policy and security selection at the global level, regional portfolio management teams have the flexibility to construct portfolios to meet the specific requirements of our clients.

**HIGHLIGHTED IN THIS PUBLICATION:**

-  GLOBAL STRATEGIC ASSET ALLOCATION
-  GLOBAL SECURITY SELECTION
-  REGIONAL ASSET ALLOCATION
-  REGIONAL PORTFOLIO CONSTRUCTION

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# EFGAM'S RESPONSIBLE INVESTING POLICY

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The Sustainable and Responsible (SR) Investment Policy of EFGAM can be defined according to three key pillars: our core beliefs, the principles we use and our approach to governance.

## 1. EFGAM's core SR beliefs

### a. ESG provides an additional layer of risk mitigation

As well as traditional measures of risk, an ESG (Environmental, Social and Governance) approach can help mitigate the total risks associated with the investments we make. These include reputational, governance and operational risks, among others.

### b. Universal ownership

EFGAM believes in the Universal Owner principle. This states that a large institutional holder of a diversified portfolio can be seen as having an exposure to the entire economy and financial market. For such as diversified investor "there is no place to hide". If one company externalises its costs in the form of, for example, environmental damage and poor labour practices, these affect other companies and the entire economy. Its actions may result in higher taxes, new legislation, higher insurance premiums, inflated input prices and the physical and social costs of disasters. These issues have been brought to the acute attention of investors in recent years with, for example: the Fukushima earthquake and tsunami, which called into question the use of nuclear power generation around the world; BP's Deepwater Horizon disaster; and the general concern about global warming and the impact on nature and the environment.

There are three avenues that Universal Owners such as EFGAM can take to manage the risks associated with such externalities. First, active ownership – that is, engaging with companies on ESG issues. Our ownership rights can be used to encourage change. In many cases this can be most effective when it is done along with other investors, particularly through industry representative bodies such as PRI (Principles for Responsible Investment), to which EFGAM is a signatory. Second, we can seek to influence public policy. Third, and probably most important, we can use an investment strategy which incorporates ESG considerations.

### c. Responsibility

EFGAM is committed to providing the best service to all its stakeholders (clients, shareholders, staff members and the communities in which EFGAM and its portfolio companies operate). EFGAM believes that acting in a responsible, ethical and sustainable way increases the benefit for all. This approach concentrates on long-term benefits rather than short-term (and often) temporary gains.

### d. Stewardship

EFGAM believes that high standards of corporate governance protect clients' interests, assist risk management, contribute to the maximization of investor value and underpin the integrity and efficient operation of financial markets.

### e. Performance

EFGAM is convinced that taking Environmental, Social and Governance (ESG) issues into account when selecting and managing investments is potentially a source of better performance and also helps in controlling risk.

### f. Opportunities

Sustainability, as an investment theme, can be useful in identifying the growth opportunities of sectors and companies that provide solutions to such issues. These include the challenges arising from resource constraints, population growth and demographic developments, changes in public sentiment and the evolving policy response to a range of environmental and social issues.

### g. Fiduciary duty

EFGAM's primary duty is to act in their clients' best interests. Analysing investments in a more holistic way by using a framework that considers all the information available, including ESG considerations, is an essential feature of our fiduciary duty.

### h. Promoting sustainability, both internally and externally

By promoting ESG awareness among staff members, clients and the general communities in which it operates, EFGAM aims to make a positive contribution to a better and more sustainable future.

### i. Integrity and conflict of interest

Integrity of action and the avoidance of conflicts of interests are part of our efforts. EFGAM acts according to both the "Code of Conduct" and the "Conflict of Interest Policy" of the EFG International Group.

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The ESG considerations contained in this document can change without notice.

## 2. EFGAM Principles

### a. Ethics and Exclusion

EFGAM excludes from its investment universe companies that produce cluster bombs, land-mines and biological or chemical weapons. In addition, EFGAM can exclude companies that seriously violate the UN Global Compact principles. In particular, there is a case for exclusion of companies which actively contribute to:

- serious or systematic human rights violations;
- the production of weapons that through normal use may violate fundamental humanitarian principles;
- serious violations of individuals' rights in situations of war or conflict;
- gross corruption;
- serious environmental damage.

Countries or companies that are sanctioned by the UN, EU or US will be considered as controversial and evaluated on a case by case basis.

A list of companies and countries that are excluded for these reasons is produced, updated and approved by the ESG Committee.

EFGAM will also not invest in companies that have an ESG score (measured using our own proprietary method) below 25% and in companies with a coal share of revenues bigger than 30% and no clear coal exit strategy.

### b. Analyses

The ESG team structures and maintains bespoke tools and analytical approaches that help monitor ESG factors in the various investments held and products managed by EFGAM. These tools and analyses serve the following purposes:

- to help product managers be compliant with the SR Investment Policy;
- to help find investment opportunities within the sustainability universe (e.g. timber, water and microfinance);
- to help to identify ESG risks in investments and products.

Examples of these tools and analyses are as follow:

- negative and positive screening;
- ESG ratings on model portfolios, buy lists and products;
- presentations to staff and clients;
- rules and recommendations for the exercise of ownership rights for ESG matters.

### c. Integration

EFGAM is committed to integrate sustainability considerations into EFGAM research and investments products when applicable.

### d. Awareness

EFGAM promotes awareness of sustainable and responsible investment among all its stakeholders, from staff members to the general public. This includes organizing internal courses, preparing presentations for clients and contributing to the activities of the Swiss Sustainable Finance association and PRI.

### e. Engagement

EFGAM seeks a high level of transparency and governance, as well as an alignment of our interests as shareholders and the company's interests in all the investments that it undertakes. Engagement involves regular discussions with the management of companies on a range of topics including their ESG performance, operational performance, broad strategy and the performance and management of the executive and board members.

In terms of proxy voting, there is a policy to vote on behalf of all New Capital funds and other policies may be implemented. To maintain the necessary flexibility to meet client needs, EFGAMs' offices may determine a voting policy which addresses local market issues.

Through proxy voting, EFGAM takes an active approach to monitor companies and act as responsible stewards of the investments made on clients' behalf.

### f. Measurement

EFGAM measures the impact and effects on sustainability of the products it manages by tracking and providing different ESG measures for products managed internally.

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EFGAM monitors and appraises how the implementation of the current Investment Policy impacts risk-adjusted investment results and takes appropriate action should the results be unsatisfactory.

EFGAM applies the elements described in this Investment Policy, consistent with its fiduciary responsibility and the mandate received by its clients.



## 3. Governance

### a. ESG Committee

The ESG committee is the owner of the SR Investment Policy and is responsible for ensuring that EFGAM complies with the principles stated throughout the policy. Its functioning is defined in the relevant Terms of Reference.

### b. ESG Management

The operative arm of the ESG Committee is the ESG team. This has the aim of proposing to the Committee practical measures to implement the Policy, to monitor its application and to inform the Committee on any relevant evolution or issues.

### c. Compliance

In addition to the specific principles set out above, this Policy is based and guided by the following:

- EFGAM Investment Policies and Risk Policies;
- all applicable laws and regulation in which EFGAM operates;
- the United Nations Principles of Responsible Investment (UN PRI);
- the UN Global Compact;
- the OECD Principles of Corporate Governance;
- UK Stewardship Code.

### d. Annual Reporting

Feedback and transparency are an essential part of the sustainable and responsible investment commitment by EFGAM. As a consequence, EFGAM's progress and achievements regarding the implementation of the principles and objectives outlined throughout this Policy will be reported annually.

### e. Review

The Policy will be reviewed and updated on a regular basis.

### f. Waivers / Exceptions

Any exceptions to this policy must be approved by the ESG Committee.

**There may be occasions in which a fund's shares may not be voted in strict adherence to these Guidelines. These decisions will always be based on our review of the merits of the proposal and will consider relevant information and company-specific circumstances.**

**Our policy is subject to change without notice.**

## Important Information

**The value of investments and the income derived from them can fall as well as rise, and past performance is no indicator of future performance. Investment products may be subject to investment risks involving, but not limited to, possible loss of all or part of the principal invested.**

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